

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
FOR QUARTERLY AND TRANSITION REPORTS PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

[X] QUARTERLY REPORT PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2002

or

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-5111

THE J. M. SMUCKER COMPANY
(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)

34-0538550
(I.R.S. Employer Identification No.)

One Strawberry Lane
Orrville, Ohio
(Address of principal executive offices)

44667-0280
(Zip code)

Registrant’s telephone number, including area code (330) 682-3000

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common shares, no par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days. [X] Yes [] No

The Company had 49,731,152 common shares outstanding on November 30, 2002.

The Exhibit Index is located at Sequential Page No. 22.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE J. M. SMUCKER COMPANY
CONDENSED STATEMENTS OF CONSOLIDATED INCOME
(Unaudited)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2002	2001	2002	2001
(Dollars in thousands, except per share data)				
Net sales	\$366,975	\$172,844	\$641,911	\$342,636
Cost of products sold	240,563	117,024	423,147	229,636
Gross Profit	126,412	55,820	218,764	113,000
Selling, distribution, and administrative expenses	74,948	41,307	134,895	82,992
Merger and integration costs	2,470	—	7,357	—
Operating Income	48,994	14,513	76,512	30,008
Other income (expense)				
Interest income	606	602	1,175	1,333
Interest expense	(2,296)	(2,356)	(4,609)	(4,637)
Other – net	(389)	(130)	(329)	(63)
Income Before Income Taxes	46,915	12,629	72,749	26,641
Income taxes	17,828	4,925	27,645	10,390
Net Income	\$ 29,087	\$ 7,704	\$ 45,104	\$ 16,251
Net income per common share	\$ 0.59	\$ 0.34	\$ 1.00	\$ 0.71
Net income per common share – assuming dilution	\$ 0.58	\$ 0.33	\$ 0.99	\$ 0.70
Dividends declared on common shares	\$ 0.20	\$ 0.17	\$ 0.40	\$ 0.34

See notes to unaudited condensed consolidated financial statements.

THE J. M. SMUCKER COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	October 31, 2002	April 30, 2002
	(Dollars in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 98,825	\$ 91,914
Trade receivables, less allowances	120,191	57,371
Inventories:		
Finished products	98,700	52,817
Raw materials, containers, and supplies	89,890	63,722
	188,590	116,539
Other current assets	17,579	13,989
Total Current Assets	425,185	279,813
PROPERTY, PLANT, AND EQUIPMENT		
Land and land improvements	23,710	16,911
Buildings and fixtures	105,844	87,126
Machinery and equipment	341,015	242,590
Construction in progress	13,885	7,504
	484,454	354,131
Less allowances for depreciation	(204,790)	(191,342)
Total Property, Plant, and Equipment	279,664	162,789
OTHER NONCURRENT ASSETS		
Goodwill	498,248	33,510
Other intangible assets	331,083	14,825
Other assets	30,794	33,955
Total Other Noncurrent Assets	860,125	82,290
	\$1,564,974	\$ 524,892
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 67,562	\$ 32,390
Other current liabilities	103,911	48,041
Total Current Liabilities	171,473	80,431
NONCURRENT LIABILITIES		
Long-term debt	135,000	135,000
Other noncurrent liabilities	168,157	29,317
Total Noncurrent Liabilities	303,157	164,317
SHAREHOLDERS' EQUITY		
Common shares	12,405	6,217
Additional capital	810,942	33,184
Retained income	293,141	267,793
Less:		
Deferred compensation	(3,118)	(2,725)
Amount due from ESOP	(8,093)	(8,562)
Accumulated other comprehensive loss	(14,933)	(15,763)
Total Shareholders' Equity	1,090,344	280,144
	\$1,564,974	\$ 524,892

See notes to unaudited condensed consolidated financial statements.

THE J. M. SMUCKER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended October 31,	
	2002	2001
	(Dollars in thousands)	
OPERATING ACTIVITIES		
Net income	\$ 45,104	\$ 16,251
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	15,862	12,155
Amortization	1,582	2,317
Other adjustments	(20,546)	(23,825)
Net cash provided by operating activities	42,002	6,898
INVESTING ACTIVITIES		
Business acquired, net of cash acquired	(9,936)	(5,639)
Additions to property, plant, and equipment	(15,782)	(12,736)
Disposals of property, plant, and equipment	78	103
Other – net	850	790
Net cash used for investing activities	(24,790)	(17,482)
FINANCING ACTIVITIES		
Purchase of treasury shares	—	(539)
Dividends paid	(13,070)	(7,740)
Other – net	2,108	1,271
Net cash used for financing activities	(10,962)	(7,008)
Effect of exchange rate changes	661	(315)
Net increase (decrease) in cash and cash equivalents	6,911	(17,907)
Cash and cash equivalents at beginning of period	91,914	51,125
Cash and cash equivalents at end of period	\$ 98,825	\$ 33,218

() Denotes use of cash

See notes to unaudited condensed consolidated financial statements.

THE J. M. SMUCKER COMPANY
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note A – Basis of Presentation

The accompanying unaudited, condensed, consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three-month and six-month periods ended October 31, 2002, are not necessarily indicative of the results that may be expected for the year ending April 30, 2003. For further information, reference is made to the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended April 30, 2002.

Note B – Merger

On June 1, 2002, the Company merged the *Jif* peanut butter and *Crisco* shortening and oils businesses of The Procter & Gamble Company (P&G) with and into the Company in a tax-free stock transaction. Under the terms of the agreement, P&G spun off its *Jif* and *Crisco* businesses to its shareholders and immediately thereafter those businesses were merged with and into the Company. P&G shareholders received one Company common share for every 50 P&G common shares that they held as of the record date for the distribution of the *Jif* and *Crisco* businesses to the P&G shareholders. The Company's shareholders received 0.9451 of a new Company common share for each Company common share that they held immediately prior to the merger. Approximately 26,000,000 common shares were issued to the P&G shareholders, valued at approximately \$781,485,000 based on the average market price of the Company's common shares over the period from three days before to three days after the terms of the merger were announced. Upon completion of the merger, the Company had 49,531,376 common shares outstanding.

The conversion of the Company's common shares into new Company common shares has been treated in a manner similar to a reverse stock split. All per share data for all periods presented have been restated to reflect the effects of the conversion.

The merger and the combination of three brands – *Smucker's*, *Jif*, and *Crisco* – enhances the Company's strategic and market position. The merger was accounted for as a purchase business combination. For accounting purposes, the Company is the acquiring enterprise. Accordingly, the results of the *Jif* and *Crisco* operations are included in the Company's consolidated financial statements from the date of the merger.

The aggregate purchase price was approximately \$791,421,000 including \$9,936,000 of acquisition related expenses. The purchase price has been allocated to the underlying assets acquired and liabilities assumed based upon their preliminary estimated fair values at the date of acquisition. Final estimated fair values will be determined by independent appraisals, discounted cash flows, quoted market prices, and management estimates. The Company currently expects to finalize the purchase price allocation by May 31, 2003.

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed at the date of the merger. The allocation of the purchase price is preliminary and subject to adjustment following completion of the valuation process.

(Dollars in thousands)	June 1, 2002
Assets:	
Tangible assets	\$ 157,684
Intangible assets not subject to amortization	280,000
Intangible assets subject to amortization (15 year weighted-average useful life)	37,333
Goodwill	463,029
Total assets acquired	938,046
Total liabilities assumed	(146,625)
Net assets acquired	\$ 791,421

The \$463,029,000 of goodwill relates to the U.S. retail market segment and will not be deductible for tax purposes.

Had the merger of the *Jif* and *Crisco* businesses with and into the Company occurred at the beginning of fiscal 2002, pro forma consolidated results would have been as follows:

(Dollars in thousands)	Three Months Ended October 31,		Six Months Ended October 31,	
	2002	2001	2002	2001
Net sales	\$367,000	\$369,000	\$685,000	\$674,000
Operating income, excluding indirect expenses of the <i>Jif</i> and <i>Crisco</i> businesses	\$ 51,000	\$ 84,000	\$ 96,000	\$134,000

Note C – Change in Accounting Principle

Effective May 1, 2002, the Company adopted Statement of Financial Accounting Standard No. 142, *Goodwill and Other Intangible Assets* (SFAS 142). In accordance with SFAS 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed at least annually for impairment.

Prior to the adoption of SFAS 142, amortization expense was recorded for goodwill and other intangible assets. The following table sets forth a reconciliation of net income and earnings per share information adjusted for the nonamortization provisions of SFAS 142.

(Dollars in thousands)	Three Months Ended October 31,		Six Months Ended October 31,	
	2002	2001	2002	2001
Net income, as reported	\$29,087	\$7,704	\$45,104	\$16,251
Goodwill and indefinite lived intangible asset amortization	—	547	—	1,097
Net income, as adjusted	\$29,087	\$8,251	\$45,104	\$17,348
Earnings per common share:				
Net income, as reported	\$ 0.59	\$ 0.34	\$ 1.00	\$ 0.71
Goodwill and indefinite lived intangible asset amortization	—	0.02	—	0.05
Net income, as adjusted	\$ 0.59	\$ 0.36	\$ 1.00	\$ 0.76
Net income, as reported – assuming dilution	\$ 0.58	\$ 0.33	\$ 0.99	\$ 0.70
Goodwill and indefinite lived intangible asset amortization – assuming dilution	—	0.02	—	0.05
Net income, as adjusted – assuming dilution	\$ 0.58	\$ 0.35	\$ 0.99	\$ 0.75

In the second quarter of fiscal 2003, the Company completed the initial impairment test for goodwill, under SFAS 142. This test confirmed that the fair value of the Company’s reporting units exceeds their carrying values, and that no impairment loss needed to be recognized for goodwill upon the adoption of SFAS 142.

Note D – Common Shares

At October 31, 2002, 150,000,000 common shares were authorized. There were 49,620,208 and 23,504,129 (restated) shares outstanding at October 31, 2002, and April 30, 2002, respectively. Shares outstanding are shown net of 7,047,725 and 7,140,338 (restated) treasury shares at October 31, 2002, and April 30, 2002, respectively.

Note E – Operating Segments

Effective June 1, 2002, the Company realigned its business segment structure in recognition of the changes resulting from the addition of the *Jif* and *Crisco* businesses. Prior year segment information has been restated to conform to the new structure.

The Company operates in one industry: the manufacturing and marketing of food products. The Company has two reportable segments: U.S. retail market and special markets. The U.S. retail market segment includes the consumer and the consumer oils business areas. This segment represents the primary strategic focus area for the Company – the sale of branded food products with leadership positions to consumers through mainstream domestic retail outlets. The special markets segment represents the aggregation of the foodservice, international, industrial, and beverage business areas. Special markets segment products are distributed through/to foreign countries, foodservice distributors and operators (i.e., restaurants, schools and universities, health care operations), other food manufacturers, and health and natural food stores.

The following table sets forth operating segments information:

(Dollars in thousands)	Three Months Ended October 31,		Six Months Ended October 31,	
	2002	2001	2002	2001
Net sales:				
U.S. retail market	\$257,530	\$ 83,733	\$425,786	\$169,510
Special markets	109,445	89,111	216,125	173,126
Total net sales	\$366,975	\$172,844	\$641,911	\$342,636
Segment profit:				
U.S. retail market	\$ 56,605	\$ 16,411	\$ 91,058	\$ 34,306
Special markets	13,855	10,287	27,622	19,623
Total segment profit	70,460	26,698	118,680	53,929
Interest income	606	602	1,175	1,333
Interest expense	(2,296)	(2,356)	(4,609)	(4,637)
Amortization expense	(894)	(1,171)	(1,582)	(2,317)
Merger and integration costs	(2,470)	—	(7,357)	—
Corporate administrative expenses	(18,236)	(11,040)	(33,386)	(21,691)
Other unallocated (expenses) income	(255)	(104)	(172)	24
Income before income taxes	\$ 46,915	\$ 12,629	\$ 72,749	\$ 26,641

Note F – Earnings Per Share

The following table sets forth the computation of earnings per common share and earnings per common share – assuming dilution:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2002	2001	2002	2001
(Dollars in thousands, except per share data)				
Numerator:				
Net income	\$ 29,087	\$ 7,704	\$ 45,104	\$ 16,251
Denominator:				
Denominator for earnings per common share – weighted-average shares	49,451,890	22,952,213	45,048,893	22,944,347
Effect of dilutive securities:				
Stock options	369,806	348,789	335,273	278,940
Restricted stock	87,438	63,151	78,781	47,813
Denominator for earnings per common share – assuming dilution	49,909,134	23,364,153	45,462,947	23,271,100
Net income per common share	\$ 0.59	\$ 0.34	\$ 1.00	\$ 0.71
Net income per common share – assuming dilution	\$ 0.58	\$ 0.33	\$ 0.99	\$ 0.70

Note G – Derivative Financial Instruments

The Company is exposed to market risks, such as changes in interest rates, currency exchange rates, and commodity pricing. To manage the volatility relating to these exposures, the Company enters into various derivative transactions pursuant to the Company’s policies in areas such as counterparty exposure and hedging practices. Hedge effectiveness designation is performed on a specific exposure basis to support hedge accounting. The changes in fair value of these hedging instruments are offset in part or in whole by corresponding changes in fair value or cash flows of the underlying exposures being hedged.

Interest rate hedging. The Company’s policy is to manage interest cost using a mix of fixed- and variable-rate debt. To manage this mix in a cost efficient manner, the Company periodically enters into interest rate swaps in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount.

Commodity price management. Raw materials used by the Company’s *Crisco* business are subject to price volatility caused by supply conditions, political and economic variables, and other unpredictable factors. To manage the volatility related to anticipated inventory purchases to be made by *Crisco*, the Company uses futures and options with maturities generally less than one year. These instruments are designated as cash flow hedges. The mark-to-market gain or loss on qualifying hedges is included in other comprehensive income to the extent effective, and reclassified into cost of products sold in the period during which the hedged transaction affects earnings. The mark-to-market gains or losses on nonqualifying, excluded, and ineffective portions of hedges are recognized in cost of products sold immediately and were not significant.

Note H – Financing Arrangements

The Company has uncommitted lines of credit providing up to \$120,000,000 for short-term borrowings. No amounts were outstanding at October 31, 2002.

Note I – Comprehensive Income

During the three-month periods ended October 31, 2002 and 2001, total comprehensive income was \$28,837,000 and \$5,806,000, respectively. Total comprehensive income for the six-month periods ended October 31, 2002 and 2001, was \$45,934,000 and \$12,760,000, respectively. Comprehensive income consists of net income, foreign currency translation adjustments, minimum pension liability adjustments, and unrealized gains and losses on commodity hedging activity, net of income taxes.

Note J – Goodwill and Other Intangibles

A summary of changes in the Company’s goodwill during the six months ended October 31, 2002, by reportable operating segment is as follows:

(Dollars in thousands)	Balance at April 30, 2002	Acquisitions	Other	Balance at October 31, 2002
U.S. retail market	\$13,353	\$463,029	\$ —	\$476,382
Special markets	20,157	—	1,709	21,866
Total	\$33,510	\$463,029	\$1,709	\$498,248

The Company’s other intangible assets and related accumulated amortization is as follows:

(Dollars in thousands)	As of October 31, 2002			As of April 30, 2002		
	Acquisition cost	Accumulated amortization	Net	Acquisition cost	Accumulated amortization	Net
Patents	\$ 37,333	\$1,037	\$ 36,296	\$ —	\$ —	\$ —
Customer lists and formulas	3,887	389	3,498	3,887	194	3,693
Total intangible assets subject to amortization	41,220	1,426	39,794	3,887	194	3,693
Trademarks with indefinite lives	291,289	—	291,289	11,132	—	11,132
Total intangible assets not subject to amortization	291,289	—	291,289	11,132	—	11,132
Total other intangible assets	\$332,509	\$1,426	\$331,083	\$15,019	\$194	\$14,825

The amounts in the above charts include preliminary estimates related to the goodwill and other intangible assets acquired in the *Jif* and *Crisco* merger.

Amortization expense for other intangible assets was approximately \$720,000 and \$1,232,000 for the three months and six months ended October 31, 2002, respectively. Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for each of the succeeding 5 years is \$2,670,000 for fiscal 2003 and \$2,878,000 for fiscal 2004 through 2007.

Note K – Recently Issued Accounting Standards

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets to be held and used, to be disposed of other than by sale and to be disposed of by sale. The Company adopted SFAS 144 as of May 1, 2002. The adoption of SFAS 144 did not have an impact on the Company’s consolidated financial statements.

In July 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (SFAS 146). SFAS 146 addresses financial accounting and reporting for costs associated with exit and disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)* (EITF 94-3). The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS 146 is not expected to have a material impact on the Company’s consolidated financial statements.

Note L – Reclassifications

Certain prior year amounts have been reclassified to conform to current year classifications.

Item 2. Management's Discussion and Analysis

This discussion and analysis deals with comparisons of material changes in the unaudited, condensed, consolidated financial statements for the three-month and six-month periods ended October 31, 2002 and October 31, 2001, respectively.

On June 1, 2002, The Company merged the *Jif* peanut butter and *Crisco* shortening and oils businesses of The Procter & Gamble Company with and into the Company in a tax-free stock transaction. The transition of the *Jif* and *Crisco* businesses has been completed.

With the addition of the *Jif* and *Crisco* businesses, reportable segments have been restated to U.S. retail market and special markets. The U. S. retail market segment is composed of the Company's consumer and consumer oils business areas and includes domestic sales of *Smucker's*, *Jif*, and *Crisco* brand products at retail. The special markets segment is composed of the foodservice, international, industrial, and beverage business areas.

Results of Operations

Sales were \$367.0 million for the second quarter ended October 31, 2002, more than doubling the sales of \$172.8 million in the comparable period last year. The *Jif* and *Crisco* brands contributed \$173.4 million to sales in the second quarter of fiscal 2003. Excluding the *Jif* and *Crisco* contribution, second quarter sales increased \$20.8 million, or 12 percent, over the second quarter of fiscal 2002.

Sales for the six-month period ended October 31, 2002, were up 87 percent to \$641.9 million versus \$342.6 million for the first six months of fiscal 2002. The contribution of the *Jif* and *Crisco* brands in the first six months was \$260.4 million. Excluding sales from those brands, sales were up 11 percent.

Net income was \$29.1 million or \$0.58 per share for the second quarter, versus \$7.7 million or \$0.33 per share in the comparable period last year. Income in the second quarter included \$2.5 million, or \$0.03 per share, of costs associated with the merger of the *Jif* and *Crisco* brands into the Company. Excluding these costs, the Company's earnings per share would have been \$0.61 in the second quarter.

Net income and earnings per share for the first six months of the fiscal year were \$45.1 million and \$0.99, respectively. This compares to \$16.3 million and \$0.70 per share in the first half of fiscal 2002. Earnings per share prior to merger-related costs of \$7.4 million, or \$0.10 per share, would have been \$1.09. Total nonrecurring costs associated with the merger are anticipated to aggregate approximately \$10 million in fiscal 2003 and \$15 million in total, in line with previously announced estimates. It is anticipated that virtually all of the merger related costs will have been incurred by the end of the current fiscal year.

Earnings per share for the second quarter and for the first six months of fiscal 2002 have been restated to reflect the effect of the merger exchange ratio of 0.9451 on the weighted average shares outstanding for those periods. In addition, for comparative purposes, if the nonamortization provisions of Statement of Financial Accounting Standards 142, *Accounting for Goodwill and Other Intangible Assets* (SFAS 142), had been in effect last year, earnings per share would have been \$0.02 higher for the second quarter and \$0.05 higher for the first six months of fiscal 2002.

Sales for the second quarter in the U.S. retail market segment were \$257.5 million compared to \$83.7 million last year. For the first six months of fiscal 2003, sales in the segment more than doubled to \$425.8 million, up from \$169.5 million last year. *Jif* and *Crisco* sales accounted for \$168.1 million of the increase in the quarter and \$253.0 million of the increase in the six-month period. In the consumer business area, sales increased 103 percent with sales of *Jif* products accounting for much of the increase. *Jif* sales were up approximately 6 percent in volume over the same period last year. The traditional *Smucker's* business grew 7 percent in sales, with sales up in most key categories, including fruit spreads, toppings, natural peanut butter, and *Goober*. The retail rollout during the first half of the

year of *Smucker's Uncrustables* to approximately one-half of the United States also contributed to the consumer area results. Based on the positive results to date, the Company plans to increase its investment spending in support of *Smucker's Uncrustables* during the second half of the year and accelerate the rollout of the product. The additional spending in support of the *Smucker's Uncrustables* product is expected to occur predominately in the fourth quarter and will result in the product being available at retail in approximately 70 percent of the United States by the end of the fiscal year.

The consumer oils business area met management's expectations overall in the second quarter. Sales were behind the comparable period last year by approximately 2 percent in volume, with increases in sales to nonretail customers partially offsetting a shortfall in retail. The retail shortfall was primarily due to timing of shipments in comparison to last October. Last year, Procter & Gamble made large shipments in October in anticipation of its Fall Bake holiday promotions. Shipments this year are expected to be spread more evenly through the holiday period, in line with the Company's scheduled promotions.

Second quarter sales in the special markets segment were \$109.5 million versus \$89.1 million for the second quarter of fiscal 2002. Each of the four business areas in the segment was up at least 16 percent over the prior year. For the six-month period ended October 31, 2002, sales in this segment were \$216.1 million compared to \$173.1 million during the prior year, an increase of 25 percent.

In the foodservice area, sales were up 16 percent for the quarter, as sales of *Smucker's Uncrustables* to schools achieved record levels. In addition, sales in the traditional foodservice business increased nearly 10 percent, a very strong result given the ongoing effects of a soft economy on the travel and leisure industries.

Sales in the industrial area were up by 26 percent over the same quarter of last year. The increase in sales is mainly due to the contribution by the International Flavors and Fragrances, Inc. (IFF) fruit preparations business acquired in October of 2001, plus new product sales, offset by approximately \$5 million in sales from contracts that the Company previously announced would be discontinued due to low margins. Of the \$40 to \$50 million in sales that the Company announced would be discontinued, it now expects that approximately \$20 million will occur by the end of this fiscal year and the remainder will occur in fiscal 2004.

Sales in the international markets were up 33 percent during the quarter as the Company realized increases in every geographic region except Asia. The majority of the dollar increase came from Canada and Brazil. In Canada, *Crisco* sales accounted for much of the increase, although the traditional business also was up 5 percent. In Brazil, the majority of the increase was due to the addition of that portion of the IFF business located there. Export sales were also up 7 percent over the prior year's second quarter.

Sales in the beverage area increased nearly 17 percent resulting from growth in sales of *R. W. Knudsen & Sons* and *Santa Cruz Organic* brand products and new products.

Second quarter operating income increased \$37 million over last year and improved as a percentage of sales from 8.4 percent to 14.0 percent, excluding merger-related costs. Gross margin improved for the quarter from 32.3 percent last year to 34.4 percent this year. In addition, operational efficiencies at several of the Company's manufacturing facilities resulted in lower-than-planned expenses. Year-to-date, gross margin is 34.1 percent compared to 33.0 percent for the first six months of last year.

Selling, distribution, and administrative (SD&A) costs were 20.4 percent of sales in the quarter versus 23.9 percent in the second quarter last year. A reduction in corporate overhead and selling expenses as a percent of sales caused the improvement. For the year, SD&A expenses were 21.0 percent of sales versus 24.2 percent last year.

Financial Condition – Liquidity and Capital Resources

The financial position of the Company remains strong. Cash and cash equivalents increased \$6.9 million during the first six months. Significant uses of cash during the first six months of the year were the payment of merger related costs, capital expenditures, and the payment of dividends. Additional debt was not required to complete the merger of the *Jif* and *Crisco* businesses with and into the Company, and total long-term debt as a percent of total capitalization was reduced from approximately 33% at April 30, 2002, to 11% at October 31, 2002. The Company anticipates capital expenditure spending to total approximately \$45 to \$50 million for fiscal 2003. This is approximately \$10 to \$15 million less than budgeted for the year. The reduction in anticipated spending is timing related and amounts not spent in this fiscal year likely will be spent in fiscal 2004.

Assuming there are no material acquisitions or other significant investments, the Company believes that cash on hand together with cash generated by operations and existing lines of credit will be sufficient to meet its fiscal 2003 requirements, including the payment of dividends and interest on outstanding debt.

Recently Issued Accounting Standards

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets to be held and used, to be disposed of other than by sale, and to be disposed of by sale. The Company adopted SFAS 144 as of May 1, 2002. The adoption of SFAS 144 did not have a material impact on the Company's consolidated financial statements.

In July 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (SFAS 146). SFAS 146 addresses financial accounting and reporting for costs associated with exit and disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)* (EITF 94-3). The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS 146 is not expected to have a material impact on the Company's consolidated financial statements.

Certain Forward-Looking Statements

This quarterly report includes certain forward-looking statements that are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties include, but are not limited to:

- the success of the Company's pricing strategies with regard to the *Jif* and *Crisco* businesses as well as the Company's other businesses;
- the success and cost of new marketing and sales programs and strategies intended to promote growth in the *Jif* and *Crisco* businesses as well as the Company's other businesses;
- the success and cost of introducing new products;
- general competitive activity in the market;
- the ability of the business areas to achieve sales targets and the costs associated with attempting to do so;
- the ability to improve sales and earnings performance in the Company's industrial business;
- the exact time frame in which the loss of sales associated with discontinued industrial contracts will occur and the Company's ability to successfully cover or eliminate the overhead associated with those sales;
- costs associated with the implementation of new business and information systems;
- the strength of commodity markets from which raw materials are procured and the related impact on costs;
- raw material and ingredient cost trends;
- foreign currency exchange and interest rate fluctuations; and
- other factors affecting share prices and capital markets generally.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures. Based on their evaluation as of a date within 90 days of the filing date of this Report, the Company’s principal executive officers and principal financial officer have concluded that the Company’s disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934 (the “Exchange Act”)) are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

Changes in internal controls. There were no significant changes in the Company’s internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

The annual meeting of shareholders of the Company was held on August 13, 2002. At the meeting, the names of Vincent C. Byrd, Elizabeth Valk Long, and William Wrigley, Jr. were placed in nomination for the Board of Directors to serve three-year terms ending in 2005. All three nominees were elected with the results as follows:

	Votes For	Votes Withheld	Broker Nonvotes
Vincent C. Byrd	35,350,335	366,173	0
Elizabeth Valk Long	35,352,963	363,545	0
William Wrigley, Jr.	35,370,194	346,314	0

The shareholders also voted on the amendment and restatement of the 1998 Equity and Performance Incentive Plan and the appointment of Ernst & Young LLP as the Company’s independent auditors for the 2003 fiscal year. The measures were approved as follows:

	Votes For	Votes Against	Abstentions	Broker Nonvotes
Amendment and restatement of the 1998 Equity and Performance Incentive Plan	107,026,255	6,354,104	2,297,783	0
Appointment of Auditors	34,742,763	775,698	198,047	0

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits
- See the Index of Exhibits that appears on Sequential Page No. 22 of this report.
- (b) Reports on Form 8-K
- No reports on Form 8-K were required to be filed during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

December 13, 2002

THE J. M. SMUCKER COMPANY

/s/ Steven J. Ellcessor

BY STEVEN J. ELLCESSOR
Vice President—Finance and Administration,
Secretary, and Chief Financial Officer

/s/ Timothy P. Smucker

AND TIMOTHY P. SMUCKER
Chairman and Co-Chief Executive Officer

CERTIFICATION

In connection with the Form 10-Q of The J. M. Smucker Company for the period ended October 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Timothy P. Smucker, Co-Chief Executive Officer of the Company certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 (a) of the Sarbanes-Oxley Act of 2002, that:

- (1) I have reviewed the Report.
- (2) Based on my knowledge, the Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report.
- (3) Based on my knowledge, the financial statements, and other financial information contained in the Report fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for the periods presented in the Report.
- (4) The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and we have:
 - a. Designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. Evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.
- (5) The Company's other certifying officers and I have disclosed, based on our most recent evaluation, to the Company's auditors and the audit committee of the Company's board of directors:
 - a. All significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weaknesses in internal controls; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.
- (6) The Company's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any correction actions with regard to significant deficiencies and material weaknesses.

Date: December 13, 2002

/s/ Timothy P. Smucker

Name: Timothy P. Smucker
Title: Co-Chief Executive Officer

CERTIFICATION

In connection with the Form 10-Q of The J. M. Smucker Company for the period ended October 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard K. Smucker, Co-Chief Executive Officer of the Company certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 (a) of the Sarbanes-Oxley Act of 2002, that:

- (1) I have reviewed the Report.
- (2) Based on my knowledge, the Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report.
- (3) Based on my knowledge, the financial statements, and other financial information contained in the Report fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for the periods presented in the Report.
- (4) The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and we have:
 - a. Designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. Evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.
- (5) The Company's other certifying officers and I have disclosed, based on our most recent evaluation, to the Company's auditors and the audit committee of the Company's board of directors:
 - a. All significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weaknesses in internal controls; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.
- (6) The Company's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any correction actions with regard to significant deficiencies and material weaknesses.

Date: December 13, 2002

/s/ Richard K. Smucker

Name: Richard K. Smucker
Title: Co-Chief Executive Officer

CERTIFICATION

In connection with the Form 10-Q of The J. M. Smucker Company for the period ended October 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven J. Ellcessor, Chief Financial Officer of the Company certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 (a) of the Sarbanes-Oxley Act of 2002, that:

- (1) I have reviewed the Report.
- (2) Based on my knowledge, the Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report.
- (3) Based on my knowledge, the financial statements, and other financial information contained in the Report fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for the periods presented in the Report.
- (4) The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and we have:
 - a. Designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. Evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.
- (5) The Company's other certifying officers and I have disclosed, based on our most recent evaluation, to the Company's auditors and the audit committee of the Company's board of directors:
 - a. All significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weaknesses in internal controls; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.
- (6) The Company's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any correction actions with regard to significant deficiencies and material weaknesses.

Date: December 13, 2002

/s/ Steven J. Ellcessor

Name: Steven J. Ellcessor
Title: Chief Financial Officer

CERTIFICATION

In connection with the Form 10-Q of The J. M. Smucker Company for the period ended October 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer’s knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) and 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: December 13, 2002

/s/ Timothy P. Smucker

Name: Timothy P. Smucker
Title: Co-Chief Executive Officer

/s/ Richard K. Smucker

Name: Richard K. Smucker
Title: Co-Chief Executive Officer

/s/ Steven J. Ellcessor

Name: Steven J. Ellcessor
Title: Chief Financial Officer

INDEX OF EXHIBITS

That are filed with the Commission and
The New York Stock Exchange

Assigned Exhibit No.*	Description	Sequential Page No.
10	1998 Equity and Performance Incentive Plan	

* Exhibits 2, 3, 4, 11, 15, 18, 19, 22, 23, 24, 27 and 99 are either inapplicable to the Company or require no answer.